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INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 004905

SIPDIS

FOR NEA/ARPI; SIPDIS

E.O. 12958: DECL: 11/26/2015

TAGS: PREL ECON EAID PHUM PGOV KDEM ENIV IZ KU

SUBJECT: IRAQI PLANNING MINISTER TELLS KUWAIT ITG IS READY FOR DEVELOPMENT PROJECTS; INVITES KUWAITI INVESTMENT IN IRAQ

REF: STATE 214617

Classified By: Ambassador Richard LeBaron for reasons 1.4(b) and (d)

¶1. (C) Summary: During a November 27 meeting, Ministry of Foreign Affairs Undersecretary Khaled Al-Jarallah told the Ambassador that the November 26 visit of Iraqi Planning Minister Barham Saleh to Kuwait resulted in a step forward on Kuwaiti-funded reconstruction projects in Iraq. The ITG submitted proposals on using the GOK's \$60 million grant and would soon begin talks on the \$440 million offered as loans. Saleh told the Kuwaiti Foreign Minister that the upcoming elections presented an opportunity to embark on economic reform programs and the ITG had targeted the water and electricity sectors for intensive development. Saleh also called for Kuwaiti private sector investment in Iraq, saying opportunities for joint ventures were plentiful and the cooperation would strengthen bilateral relations. He also recommended that money from the UN Compensation Commission be used for joint environmental projects that would benefit Iraq, Kuwait, and eventually the entire region. Al-Jarallah said the debt forgiveness issue was touched upon and Kuwait, which had made no effort to collect the debt, had no intention of being "tough" on the issue. End Summary.

Encouraging Kuwaitis to Invest in Iraq

¶2. (C) Iraqi First Deputy Premier and Planning Minister Dr. Barham Saleh traveled to Kuwait November 26 for meetings with Foreign Minister Sheikh Dr. Mohammed Sabah Al-Salem Al-Sabah and Minister of Planning and Minister of State for Administrative Development Affairs Dr. Masouma Al-Mubarak. According to Ministry of Foreign Affairs Undersecretary Khaled Al-Jarallah, the meetings were very productive and Saleh shared with his Kuwaiti counterparts a "strong vision on the future of Iraq" and "good ideas on how to strengthen bilateral relations." Al-Jarallah told the Ambassador during a November 27 meeting that Saleh identified joint business ventures as the best way to advance relations between Kuwait and Iraq. Saleh said there was huge business potential in Iraq and encouraged Kuwaitis to take advantage of it. He also said business ventures would help to change the "prevailing Saddam Hussein mentality," reporting regular negative comments in Iraq about Kuwaitis, especially by members of the National Assembly. Business enterprises, he argued, would help to open the minds of Iraqi citizens and would benefit the Kuwaiti private sector. Al-Jarallah confirmed Kuwaiti interest in investing in Iraq and said to do so, the GOK would need the help and support of the U.S.

Ready for Reconstruction

¶3. (C) Saleh was optimistic about the future and said the upcoming elections would mark a turning point in Iraqi history and permit the implementation of economic reforms. He cited the water and electricity sectors as priority

targets for development. On the subject of public services, Saleh told the Kuwaiti FM that Iraq was finally ready to receive the funds pledged by Kuwait for development projects, with a focus on health, education, and electricity. The Iraqi Transitional Government (ITG) would soon approach the GOK on using the \$440 million offered as loans and the Kuwait Fund has already received proposals for the \$60 million offered as a grant. (Note: We will follow up with the Kuwait Fund. End note.) Among the proposals for grant funds are health and educational projects as well as an unspecified "very important project for Sadr City." Saleh also proposed that some funds earmarked to compensate governments under the UN Compensation Commission instead be used to establish a fund to finance projects in Iraq that would also benefit Kuwait. Saleh preferred environmental projects that would have a regional impact. Al-Jarallah said the GOK considered the proposed use of UNCC funds to be a good idea.

Iraq's Debt to Kuwait

¶4. (C) Turning to debt, Saleh said the GOK had not sought repayment from the previous regime and had not requested that the ITG settle the obligations. He recommended that the two governments look seriously at the debt issue and identify a bilateral solution. Al-Jarallah told the Ambassador that the GOK would not be "tough" with Iraq on debt and reminded him that decisions affecting debt could not be made unilaterally and required the approval of the National Assembly. The Ambassador noted his understanding of prior Kuwaiti statements that it would be guided by the Paris Club terms which forgive 80 percent of Iraq's debt, but said full forgiveness was desired. He also urged the GOK to make public statements on forgiving Iraqi debt in order to help

KUWAIT 00004905 002 OF 002

improve Iraq's standing in the international financial markets.

No Comment on Iran

¶5. (C) Al-Jarallah said he also asked Saleh about the extent of the Iranian influence in Iraq. Barham deflected the question, remarking only that Iran was a large, important country with which Iraq shared a long border.

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